

## Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-05 SP-02 SS-15

STR-04 TRSE-00 FRB-01 PA-02 PRS-01 USIA-15 /106 W

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R 240830Z FEB 75

FM AMEMBASSY SINGAPORE

TO JOHN DAVIS DIR US DEPT OF COMMERCE HONOLULU DISTRICT

OFFICE SUITE 286 ALEXANDER YOUNG BUILDING HONOLULU HI

INFO SECSTATE WASHDC 2038

USDOC WASHDC

UNCLAS SINGAPORE 0744

E.O. 11652: NA

TAGS: ENRG SN

SUBJ: SINGAPORE PETROLEUM REFINING INDUSTRY QUERY

REF: YOUR CABLE DATED FEB 13 1975.

IN REPLY YOUR CABLE FEBRUARY 13 REQUESTING INFORMATION  
SINGAPORE PETROLEUM REFINING INDUSTRY:

1) ONE OF MAJOR ADVANTAGES TO LOCATING REFINERY  
CAPACITY IN SINGAPORE IS PORT OF SINGAPORE'S POSITION  
ASTRIDE MAJOR MID-EAST/PACIFIC TANKER ROUTE.

TO DATE, HOWEVER, NEITHER HAWAII NOR U.S. WEST COAST  
HAVE BEEN SIGNIFICANT BUYERS OF SINGAPORE REFINERY  
PRODUCTS, MOST OF WHICH ARE PRESENTLY MARKETED IN  
JAPAN AND SOUTHEAST ASIA. U.S. WEST COAST IMPORTS,  
WE UNDERSTAND, ARE PRIMARILY FROM LATIN AMERICA AND  
CANADA.

2) NO SINGAPORE TAX ADVANTAGE EXIST SPECIFICALLY  
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FOR PETROLEUM REFINING INDUSTRY, BUT REFINERIES BENEFIT

FROM LIBERAL SINGAPORE TAX POLICY TO ENCOURAGE ESTABLISHMENT OF MANUFACTURING. IN THE PAST SINGAPORE GRANTED PIONEER STATUS TO REFINERIES, PERMITTING CORPORATE TAX-FREE OPERATIONS FOR UP TO FIVE YEARS; THIS NO LONGER AVAILABLE. HOWEVER, SINGAPORE STILL GRANTS CONCESSION TAX RATES ON EXPORT PROFITS, TAX EXEMPTION ON PROFITS RESULTING FROM PLANT EXPANSION AND ACCELERATED DEPRECIATION ALLOWANCES.

3) SINGAPORE COULD STILL MAKE AVAILABLE TO NEW OIL REFINERIES GOOD PLANT SITES AT LOW RENTAL RATE. NO DUTIES ON IMPORTED CRUDE, OR ON IMPORTED MACHINERY AND EQUIPMENT. NO RESTRICTIONS ON REPATRIATION OF PROFITS AND CAPITAL. SINGAPORE THROUGH DEVELOPMENT BANK OF SINGAPORE (A GOVERNMENT BANK) PROVIDED ONE-THIRD OF CAPITAL FOR ONE OF THE SMALL REFINERIES (SINGAPORE PETROLEUM COMPANY), BUT OTHERWISE HAS NOT DIRECTLY PARTICIPATED IN REFINERY FINANCING.

4) IF GOVERNMENT OF SINGAPORE APPROVED, DEVELOPMENT BANK OF SINGAPORE COULD OFFER REFINERIES LOANS AT RELATIVELY LOW INTEREST RATES.

5) LABOR COSTS IN SINGAPORE ARE RISING, BUT STILL WELL BELOW U.S. COSTS. SKILLED PRODUCTION WORKERS EARN BETWEEN APPROXIMATELY US 75 CENTS TO US ONE DOLLAR FIFTY CENTS PER HOUR. CONSTRUCTION WORKERS EARN SOMEWHAT LESS.

6) TOTAL SINGAPORE REFINING CAPACITY PRESENTLY STANDS AT SLIGHTLY OVER 1 MILLION BARRELS A DAY. ACTUAL PRODUCTION HAS CONSISTENTLY RUN AT ONLY ABOUT HALF CAPACITY, OR APPROXIMATELY 500,000 BPD, FOR LAST SEVERAL YEARS. THE FIVE SINGAPORE REFINERIES ARE OWNED BY SHELL, BRITISH PETROLEUM, MOBIL, ESSO, AND SINGAPORE PETROLEUM CO. NO SIGNIFICANT REFINERY EXPANSION CURRENTLY PLANNED, AS TREND IS TO LOCATE NEW REFINING CAPACITY NEAR WELLHEAD IN NEIGHBORING PRODUCING COUNTRIES OF MALAYSIA AND INDONESIA. GOS UNCLASSIFIED

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ALSO NO LONGER ACTIVELY SEEKING ADDITIONAL REFINERY CAPACITY, BUT HAVE ANNOUNCED PLANS FOR LARGE NEW PETROCHEMICAL INDUSTRY.

7) WHILE LABOR COST CONSIDERABLY CHEAPER, SINGAPORE MUST IMPORT BULK OF CONSTRUCTION MATERIAL (STEEL, CEMENT, ETC.). THEREFORE COMPARATIVE COST ADVANTAGE SINGAPORE VERSUS U.S. REFINERY CONSTRUCTION

IS MODEST.

8) SINGAPORE PASSED TOUGH ANTI-POLLUTION LAW IN 1973, REQUIRING REFINERIES TO MAKE SUBSTANTIAL EXPENDITURES FOR POLLUTION CONTROL EQUIPMENT. HOWEVER, REGULATIONS STILL SOMEWHAT LESS STRINGENT THAN IN U.S.

9) THE ECONOMIC DEVELOPMENT BOARD'S INVESTMENT SERVICES DIVISION PROVIDES INVESTORS WITH A SINGLE AGENCY CAPABLE OF CO-ORDINATING WITH OTHER GOVERNMENT AGENCIES, AND OBTAINING SITES AND PERMITS.  
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## Message Attributes

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